



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

The Bases of Industrial Stability¹

By WILLARD E. HOTCHKISS

Executive Director of the National Industrial Federation of Clothing Manufacturers and Late
Executive Secretary of the President's Industrial Conference

INDUSTRIAL stability is a question of adjustment of human beings to each other and to their work. It involves in part an adaptation of the individual to his work, but it is also influenced by the larger currents of thought to which men respond, not primarily as individuals, but as groups. In this sense, it becomes a phase of the general problem of industrial unrest. This is the angle of the subject to which chiefly I shall address my remarks.

We do well, I think, not to consider industrial unrest primarily as a post-war phenomenon. There is no question but that war has complicated the problem. There is, without doubt, a post-war psychology; but the manifestations of that psychology, for the most part, merely accentuate ideas, aims and viewpoints, the development of which dates well back into the pre-war period. In any case, the thing we are looking for is a permanent constructive contribution to industrial stability, and not merely relief from a momentary difficulty.

Industrial relations may be considered from many different angles. Among these I shall try to touch briefly upon the technical, psychological and the economic phases of the problem as a background for consideration of the political or governmental phase. Finally, I shall try to present a constructive viewpoint concerning government policy with respect to

industrial relations. This viewpoint will be substantially the one reflected in the recent report of the President's Industrial Conference. To a large extent my remarks will constitute an interpretation of that document.

Technical Organization Inefficient

With respect to the question of technical organization, attention has been frequently directed to the fact that human adjustment in industry has not kept pace with technical equipment. The unhappy consequences of this unequal pace are everywhere visible and cannot be too strongly emphasized. Nevertheless, the fact remains that many of the cumulative irritations that go to make up the large aggregate of industrial unrest hark back to inefficiencies in the mechanical processes under which work is done. In spite of scientific progress, in spite of the attention given to so-called "scientific management," industry by and large is still extremely inefficient on its technical side. Machines are not always well installed, materials are not promptly supplied and properly routed, and workers, as well as employers, undergo loss and consequent irritation from the lack of effective coördination between production management and marketing organization.

A vast amount of thought must still be directed toward the technical side of industry before we can hope for the most constructive results in attacking the human problem. Possibly my experience with the hastily expanded

¹Address at the annual meeting of the American Academy of Political and Social Science, May 8, 1920.

shipbuilding industry during the war and with the clothing industry since the war, inclines me to draw a picture of technical inefficiency that would be too dismal for application to industry in general. I can only speak from my own experience, but I am within the limits of conservative statement when I say that half of the large number of grievances I have had to consider in the one industry during the war, and in the other in time of peace, arose out of obvious, and, in most cases, easily remediable technical shortcomings.

Aside from those maladjustments that result in a specific grievance, and aside from the direct loss from poor organization, there is a cumulative indirect loss of both product and goodwill. In spite of many assertions to the contrary, workers in general like to feel that their work is an effective contribution towards a definite result. When a business concern is shot through with the crudest sort of inefficiency, when the business process actually creates points of friction, there inevitably results an impression of working in circles and a consequent sense of futility. It is perfectly true that workers themselves create many of these circles. In many concerns an atmosphere is developed in which everyone seems to be working in a circle, and human beings can easily get into a frame of mind in which, for the time being, they have no desire to achieve effective results. Moreover, it is of course true that laying down does frequently result from group action, whether of the smaller group in the individual shop or of the larger organization. In my judgment, however, deliberate shirking in industry over a long period of time is much less common than is frequently asserted, and I am confident that a large part of it could be overcome by so organizing industrial processes that every worker

could visualize his own results and could be assured that his achievement was not being neutralized by inefficiencies at other points in the process.

INDUSTRIAL PSYCHOLOGY

The reaction of workers to the quality of technical management takes us into the broad domain of industrial psychology. Probably no group of persons have done as much as the psychologists have done during the past generation in laying foundations for constructive activity directed toward better human relations in industry. I am not a psychologist and shall not attempt to speak as one. It may be in order, however, to suggest, as a layman's views of the question, one or two points at which the psychologists have opened the way for constructive contributions toward industrial stability, and to emphasize the fact that the prospect of such contributions must be given full weight in developing an industrial relations policy.

Thanks to the psychologists, we no longer think of men as dominated by a simple economic motive. We know that action results from a complex of motives, frequently from a complex of conflicting motives. Whenever we undertake to deal with a problem of human relationships, we find ourselves coming up against conflicting ideas, desires and aspirations, ideas that may spring from everywhere and nowhere, and yet ideas that are very real with respect to the particular problem in hand. The psychologists have also rendered a great service to human relations by calling attention to the fact that the situation in which many persons live and work tends to baulk a wholesome expression of normal human instincts, and thus to bring about a destructive anti-social expression of those instincts. Until in some way we

can establish in industry contacts that will respond to normal human aspirations, we shall not have the elements of a constructive industrial relations policy. We must have a working plan that will function from day to day at the point where the worker and the foreman come in contact with each other.

Psychological prerequisites to industrial stability must rest upon an economic foundation. The maintenance of such a foundation involves questions of recurrent adjustment, from which both the parties benefit. As already indicated in referring to the question of technical efficiency, the range within which such mutually advantageous adjustments can be made is much larger than is ordinarily believed. Nevertheless, when all such adjustments are made, there still remains the fundamental question of the distribution of industrial products, and it is idle to deny the existence at this point of a highly contentious problem.

It is the essence of sound industrial relations policy so to meet the technical and psychological requirements of industry that the zone of mutual economic interests may be as wide as possible and the area of conflict correspondingly restricted. Beyond that, it is a problem of statesmanship in industry to provide orderly processes by which contending economic forces may be exerted upon the distribution of the product in such a way as not to destroy or impair the product, either now or in the future.

GROUP INFLUENCE IN INDUSTRY

We have now reached a point of comparative agreement concerning the desirability of establishing within industry opportunity for group expression and group influence, and most careful and impartial students of the problem would extend this expression and influence to the contentious ques-

tion as to how the product shall be divided. As is well known, great difference of opinion exists as to whether the shop, the concern, the industry or the craft should be the unit of expression. All the controversies concerning employee representation, the craft union, the industrial union and other forms of organization center around this problem.

It is not essentially a part of the industrial relations problem of the moment to reach a decision concerning the relative advantages of these different forms of organization as instruments for expressing the views and exerting the influence of employees. The problem is rather to create and maintain an atmosphere in which each form of organization may be given a fair opportunity to demonstrate its effectiveness to adapt itself to the conditions or the industry in which it operates, and to justify, if it can, its fitness to survive. The idea that in a matter so complex as modern industry, only one form of organization is really fit, and that the process of development is to change all other forms to this model runs counter to all our knowledge of the variation and complexity of human institutions.

THE POLICY OF GOVERNMENT

Recognizing the fact that the problem of distribution is a contentious problem, that actual struggles are taking place and will continue to take place concerning it, what is the duty of government concerning the problem and how may this duty be most advantageously expressed in public policy? Recent discussion reveals four fairly distinct approaches to the question; they may be described with reasonable accuracy respectively, as the socialistic, the paternalistic, the individualistic and the general welfare approach.

Socialism, to the extent of its application in industry, would solve the problem by taking over and operating the industry to which it was applied. No useful purpose would be served at this time by attempting to discuss the merits or demerits of socialism. It should, however, be pointed out that adjustments of technical organization, human psychology and distribution would have to be made under a socialistic as well as under an individualistic organization.

Extreme individualism, as distinguished from socialism, would adopt a thoroughgoing policy of *laissez-faire*. The individualist would restrain the state from injecting itself into the process of adjustment within industry, and he would avoid the establishment of machinery except such as would normally operate under the civil and criminal law. It is interesting in this connection to find Mr. Gompers on the one hand, and the representative of the Industrial Conference Board on the other, taking practically the same position in favor of a policy of *laissez-faire*.

Probably a large number of American citizens today would favor a policy looking much farther in the direction of *laissez-faire* than would have been approved five years ago. There seems to be a general feeling that one of the great dangers at the present time is amateurish, meddling on the part of government officials. When industrial conflict arises, the parties would prefer to fight it out among themselves without interference, and they maintain that in the long run the interests of the public will be better served if this is permitted than it will if public officials act either as umpires or moderators in the struggle.

Interference of the government in industrial affairs was of necessity carried to such a point during the war,

and there was, moreover, in the nature of things, such a large element of amateurishness in the way in which hastily organized bureaus and boards performed their work, that the public, momentarily at least, is fed up on government activity, and its first response with respect to practically all problems is to let them take their course without hindrance.

At a time when this general impulse in favor of *laissez-faire* is making itself felt, it is interesting to see one of our American states adopting a policy of far reaching paternalism with respect to industry. The Kansas Industrial Relations Act cannot fairly be called a socialistic measure, since it contemplates government operation of industry only in emergencies in which normal industrial relations break down. It does, however, apply the principle of paternalism over a larger range of activities and makes the government responsible for the continuous functioning of industrial processes to an extent rarely contemplated in a democratic country. The justification for this far reaching invasion of private activity is, of course, the paramount public interest in the continuous operation of the industries that come under the law. These industries are specifically enumerated in the law, and the list is of such comprehensiveness that in an industrial state like Pennsylvania or Massachusetts, a far reaching industrial conflict might bring a large part of the wage earners of the state under government jurisdiction for the earning of their daily bread.

The Kansas law not only makes strikes and lockouts illegal, but it also provides for the taking over and operating of any of the specified industries in which industrial relations are interrupted to the point of interfering with private operation. The Kansas law

has called forth much praise from employers, but the part of the law chiefly emphasized in this connection is that which prohibits strikes and lockouts. Few people apparently understand the far reaching character of the law. It is difficult to see how such a law could become practically operative in an industrial state. As a piece of economic experimentation in a state in which industrial conditions are comparatively simple, the law will doubtless serve a useful purpose. Even its enactment, without reference to its practical operation, has helped clarify the discussion of industrial relations.

Without adopting the extreme paternalism of the Kansas law on the one hand, or extreme individualism on the other, there appears to be a fairly clear field within which government may exert its influence with a prospect of securing useful results. Assuming that technical, psychological and economic adjustments in industrial relations must be worked out internally, it would seem to be the part of wisdom for government to base its policies upon a frank recognition of this fact, and confine regulation to measures essential to an orderly process of adjustment and to the protection of general interests. This was in essence the viewpoint upon which the recommendations of the President's Industrial Conference were based.

Much has been said, on the one hand, by way of asserting the paramount public interest in industrial conflicts and, on the other, by way of denying the danger to such interests, and even of questioning whether there is such a thing as a public interest distinguishable from the interests of the parties whose relations are directly at stake. Confusion in this connection arises primarily from trying to consider the question in the abstract. With respect

to any concrete situation, there is always a vastly greater number of people standing on the side lines than are directly engaged in the conflict, and the fact that the people on the side lines may be engaged in a similar conflict tomorrow in no way makes them less a part of the public with respect to the conflict today. We all have a natural and proper desire to have our legitimate interests protected when other people are in conflict, and we ought at the same time to acknowledge the rights of others to protection when we ourselves are in conflict.

Accepting the fact of a substantial public interest in industrial relations on the one hand, and a confirmed skepticism of extreme government interference on the other, constructive statesmanship will adopt a middle of the road policy. Under such a policy, it will seek to protect essential public interests while avoiding dangerous undermining of individual rights and the meddlesome annoyances of an amateurish bureaucracy.

The protection of private rights proceeds along two lines. From one point of view the individual is safeguarded in his economic relations by all of those laws, decisions and regulations by which the police power of the state has been expanded to preserve the health, morals and comfort of wage earners under modern industrial conditions. The net result of such laws is to fix a minimum level upon which competition, whether between employers on the one hand, or between the employing and the wage earning groups on the other, must be carried on. This phase of public policy with respect to industrial relations need not detain us here, since the principle of compulsory minimum standards has been universally accepted. The only discussion in connection with specific measures of this sort pertains to their

expediency in the particular circumstances.

The President's Conference called attention, in part four of its report, to the principles which it believed should underlie legislation in certain branches of police power regulation. It also called attention to the need of strengthening and coördinating present legislation along several lines. Laws pertaining to such subjects as hours of labor, child labor and women in industry are merely a part of the general industrial code, and do not primarily change the fundamental relation between employer and employee.

In addition to its police power regulations, the government performs a useful and necessary informational service. The introduction to the report of the President's Industrial Conference contains this language:

The wisest suggestions for the prevention and relief of industrial unrest are to be found by interpreting the best thought and experience of those employers and employees who, within the area of their own activities, have most successfully dealt with the problem.

Obviously, the results of practical experience in dealing with industrial relations cannot bear fruit except to the extent to which these results are known. Wise public policy will provide for expanding the informational service of the government in this field to the fullest extent compatible with careful, impartial, scientific collection and dissemination of significant information.

Discussion of informational service naturally suggests informing the public with respect to specific industrial conflicts when they arise. The fact that such conflicts arouse intense feeling differentiates the problem of giving information concerning them from that of the general informational service. Information given to the public in connection with industrial disputes furnishes the basis for public

opinion concerning those conflicts, and in this way has a direct influence upon the issue. For practical purposes, then, the question of information merges into the general question of aiding in the adjustment of the conflict, and its discussion becomes a part of the general discussion of arbitration, conciliation and mediation.

Arbitration may be either compulsory or voluntary. It may be general or restricted to specific enterprises. Compulsory arbitration has been tried under varying circumstances during the past generation, and it has not commended itself by its results to thoughtful students. Conciliation and mediation have been more successful, but the results have usually depended upon a fortunate personality. Experience seems to indicate that the two things which public agencies may undertake with a fair prospect of success are: first, judicious information of the public concerning the issues of a dispute; and, second, provision for tendering the good offices of some properly constituted arm of the government to the end of bringing the parties in conflict together. The methods devised by the President's Conference for putting these ideas into practice are set forth in the following quotation from the introduction to its report:

The system of settlement consists of a plan, nation wide in scope, with a National Industrial Board, local Regional Conferences and Boards of Inquiry, as follows:

1. The parties to the dispute may voluntarily submit their differences for settlement to a board, known as a Regional Adjustment Conference. This board consists of four representatives selected by the parties, and four others in their industry chosen by them and familiar with their problems. The board is presided over by a trained government official, the regional chairman, who acts as a conciliator. If a unanimous agreement is reached, it results in a collective bargain having the same effect as if reached by joint organization in the shop.

2. If the Regional Conference fails to agree unanimously, the matter, with certain restrictions, goes, under the agreement of submission, to the National Industrial Board, unless the parties prefer the decision of an umpire selected by them.

3. The voluntary submission to a Regional Adjustment Conference carries with it an agreement by both parties that there shall be no interference with production pending the processes of adjustment.

4. If the parties, or either of them, refuse voluntarily to submit the dispute to the processes of the plan of adjustment, a Regional Board of Inquiry is formed by the regional chairman, of two employers and two employees from the industry, and not parties to the dispute. This board has the right, under proper safeguards, to subpoena witnesses and records, and the duty to publish its findings as a guide to public opinion. Either of the parties at conflict may join the Board of Inquiry on giving an undertaking that, so far as its side is concerned, it will agree to submit its contention to a Regional Adjustment Conference, and, if both join, a Regional Adjustment Conference is automatically created.

5. The National Industrial Board in Washington has general oversight of the working of the plan.

6. The plan is applicable also to public utilities, but in such cases, the government agency, having power to regulate the service, has two representatives in the Adjustment Conference. Provision is made for prompt report of its findings to the rate regulating body.

The Conference makes no recommendation of a plan to cover steam railroads and other carriers, for which legislation has recently been enacted by Congress.

7. The plan provides machinery for prompt and fair adjustment of wages and working conditions of government employees. It is especially necessary for this class of employees, who should not be permitted to strike.

8. The plan involves no penalties other than those imposed by public opinion. It does not impose compulsory arbitration. It does not deny the right to strike. It does not submit to arbitration the policy of the "closed" or "open" shop.

The plan is national in scope and operation, yet it is decentralized. It is different from anything in operation elsewhere. It is based upon American experience and is designed to meet American conditions. It employs no legal authority except the right of inquiry. Its basic idea is stimulation to settlement of differences by the parties in conflict, and the enlistment of

public opinion toward enforcing that method of settlement.

Taken in conjunction with the sections on employee representation and on collective bargaining, the suggested plan leaves the great issues underlying the employment relationship to be worked out by the parties to that relationship. The Conference recognized the bearing of the technical, psychological and economic elements of the problem, to which reference was made earlier in this paper. It proposed to influence, but not to prevent the working out of these reactions. The sobering effect of public observation and public judgment will tend to rationalize the positions taken by both parties when conflicts develop. The moderation thus encouraged will in general, it is believed, make conciliation welcome when conflicts assume dimensions that jeopardize the public interests. In any case, the knowledge that the public has a right to know the issues will itself constitute a substantial protection to the public.

In conclusion, the whole trend of recent developments in industrial relations goes to show that the problem is not one to be dealt with by mechanical contrivances and formulas. Its solution must be reached by a process of organic growth. The public may watch this growth. It may cultivate the soil in which it takes place. It may set limits within which it shall occur. But, it cannot promote industrial stability by trying to take the problem out of the field of natural economic relationships and transplant it bodily into the field of public policy. The most essential safeguard to public interest is the avoidance on the one hand of hysterical and ill advised regulation, and on the other, of the detached and fatalistic inertia of *laissez-faire*.